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July 2, 2008

Docket Control
Arizona Corporation Commission
1200 W. Washington
Phoenix, AZ 85007

RE: NON-RESIDENTIAL DEMAND SIDE MANAGEMENT PROGRAMS
DOCKET NO. E-01345A-05-0477

Dear Sir or Madam:

On March 26, 2007, pursuant to Decision No. 68488, Arizona Public Service Company ("APS" or "Company") filed a 13-Month Report to provide the Commission with updated information regarding its Non-Residential Demand Side Management ("DSM") Programs and to request final approval of these programs ("13-Month Filing"). As part of the 13-Month Filing, the Company also sought approval of certain modifications to some of the DSM programs, including enhancements to the Small Business Programs that APS believes are needed to better engage this segment. Currently, DSM incentives are available to small business customers with a load of 200 kilowatts ("kW") or less of aggregate demand. In the 13-Month Filing, APS proposed modifications aimed at increasing small businesses participation by changing the "Small Business Program" customer classification to 100 kW or less.¹ Additionally, the Company proposed as part of this program the Direct Install measure, where customers who contract with vendors for eligible DSM measures can have APS pay the incentives directly to contractors.

As a result of recent discussions with Commission Staff, the Company is amending its proposal in the 13-Month filing to broaden the customer eligibility requirement for the Direct Install measure. Specifically the Company is proposing that it be broadened to: 1) make the Direct Install measure available for any customer premise with a peak demand of 100 kW and smaller; and 2) that all schools, regardless of size or energy usage, be eligible for the Direct Install measure. This would allow direct install contractors to be more responsive to customer inquiries and, ultimately, make it easier for customers to participate. Therefore, the Company requests that this modification be incorporated into its 13-Month Filing, and be considered for approval by the Commission.

If you have any questions, please call Susan Casady at 602-250-2709.

Sincerely,

Barbara Klemstine / SC

Barbara Klemstine

Cc:
Jerry Anderson
Terri Ford

Arizona Corporation Commission

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¹ See, 13-Month Filing at pg. 11, section G, and Exhibit A, at pg. 42.